AFFIDAVIT OF BLAKE O. FISHER

1. My name is Blake Fisher. I retired in May 2002 from McLeodUSA where I held a variety of senior executive positions, including, at relevant times, Regional President for the Western Region as well as Group Vice President and Chief Planning and Development Officer. I now live in Park City, Utah.

2. This affidavit explains the circumstances surrounding the negotiation and implementation of an agreement with Qwest Corporation ("Qwest") to provide McLeodUSA with volume pricing for all purchases made by McLeodUSA from Qwest. The events described in my affidavit took place when I worked for McLeodUSA.

3 I was McLeodUSA's lead negotiator for the negotiations that resulted in a series of agreements, including the volume purchase agreement. Initially, I was negotiating with John Kelley at U S WEST. Later I was negotiating with my counterpart at Qwest, Greg Casey. Following the merger with U S WEST, Mr. Joe Nacchio, Qwest's CEO attended a meeting in Cedar Rapids, Iowa, where, among other things, the possibility of volume pricing was discussed. I also attended that meeting. Qwest representatives at that meeting informed us that they were meeting with many of Qwest's large customers. They also told us that Qwest intended to treat us as a large customer. Mr. Nacchio explained that Mr. Casey was responsible for our wholesale relationship with Qwest. Mr. Casey told me that Mr. Nacchio had to give final approval to any significant transactions between Qwest and McLeodUSA.

4. The U S WEST negotiating team, and later the Qwest negotiating team, also included Audrey McKenney, who reported to Mr. Casey, and Arturro Ibarra, who reported to Ms. McKenney. Stephen Davis was occasionally involved in the negotiations, particularly when the topic turned to regulatory matters.

5. The McLeodUSA negotiating team included Jim Balvanz, who was a Vice President of Finance and Stacey Stewart, who was a Vice President of ILEC Relations and Performance Measurements at the time. This is the same team that had negotiated with U S WEST before the merger. Once Mr. Casey and I negotiated broad agreement parameters, the other members of our teams would work on negotiating the details of the agreements.

6. The genesis of the agreements that include the volume pricing occurred well before the Qwest / U S WEST merger. Prior to the passage of the Telecommunications Act of 1996, McLeodUSA purchased Centrex Common Blocks from U S WEST under various state retail tariffs and re-sold the services to our customers. On the eve of the signing of the Telecommunications Act of 1996, U S WEST withdrew its offering of Centrex Common Blocks to new customers in all of its 14 states. McLeodUSA sought state regulatory action to stop or reverse U S WEST's unilateral withdrawal of its wholesale Centrex product. We were largely successful in these regulatory cases in retaining our right to resell U S WEST's Centrex product. McLeodUSA continued reselling U S WEST (and then Qwest) Centrex products in those states in which our right to resell the product was upheld. We also began reselling1FR and 1FB under the resale provisions of the Telecommunications Act. Later, we began to avail ourselves of UNE-Platform products.

7 Financially, the Centrex Common Block products and the subsequent resale products would not work for McLeodUSA over the long term. The margins on both forms of resale were too thin to sustain and grow the company.

8. Before the merger, we approached U S WEST and told them that we wanted to convert all of our customers to UNE-P, which had much better margins. U S WEST said that we could not just convert our customers – that there would be a lot of work and cost involved – and that the conversion would be difficult and time consuming.

9. I explained to U S WEST that all we really wanted to do was to leave our customers on the same lines that they currently had, with the same features, but to get the best pricing available. At the time that was UNE-P pricing and we told U S WEST we were entitled to such pricing for the services we were using.

10. U S WEST responded that it believed it could provide McLeodUSA with an acceptable product at pricing that worked across its region, so we began negotiating the parameters of the product and its pricing.

11. Prior to the Qwest / U S WEST merger, we were unable to agree on pricing that made economic sense for McLeodUSA. After the merger, however, Qwest expressed a desire to improve its relationship with McLeodUSA as a customer. Joe Nacchio indicated at the meeting in Cedar Rapids referenced above that Qwest recognized competition was developing in its local markets. Therefore, Qwest intended to strengthen its wholesale business and relationships with its wholesale customers. Specifically, Qwest indicated that it hoped to find a way to make it economically and operationally attractive to keep our traffic on Qwest's network if possible.

12. The result of our continued negotiations was a product that Qwest calls UNE-M or UNE Star. UNE-M was intended to be a flat-rated, UNE platform product that allowed us to convert our resold Centrex lines directly to UNE-M lines. As we continued to discuss pricing, however, it was clear that the pricing Qwest offered was not good enough for McLeodUSA to warrant keeping our traffic on Qwest's network.

13. When we pointed this out to Qwest, the concept of Qwest providing McLeodUSA with improved pricing on all of our purchases – based on volume commitments – was developed during our negotiations. I do not now recall whether Qwest or McLeodUSA first proposed the idea, but it became a central component of the agreements we were discussing.

14 After substantial negotiations with U S WEST first, and then with Qwest, Qwest agreed to provide McLeodUSA the benefit of volume pricing on all of McLeodUSA's purchases from Qwest. The volume pricing applies to all products and services purchased by McLeodUSA from Qwest, including access, wholesale long distance, capacity trunking, private line, unbundled network elements ("UNEs"), collocation, resale services, and tariffed products and services. The volume pricing applies to all purchases made by McLeodUSA from Qwest inside and outside of Qwest's 14-state ILEC territory.

15 As a result of our negotiations, McLeodUSA and Qwest entered into a number of written agreements between September 19, 2000 and October 26, 2000, including three that are essential to understanding the volume pricing:

a. Purchase Agreement signed October 26, 2000 and effective October 2, 2000 covering purchases by McLeodUSA from Qwest (the "McLeodUSA Purchase Agreement").

b. Purchase Agreement signed October 26, 2000 and effective October 2, 2000 covering purchases by Qwest from McLeodUSA (the "Qwest Purchase Agreement").

c The 8th Amendment to the McLeodUSA/Qwest interconnection agreement.

16. The 8th Amendment to the McLeodUSA interconnection agreement with Qwest set out the terms and conditions for the UNE Star product, including state-specific flat rate pricing negotiated by Qwest and McLeodUSA.

17. The McLeodUSA Purchase Agreement is a take or pay agreement. That is, McLeodUSA committed to purchase a specified volume of products from Qwest during specified time periods. If McLeodUSA fails to make the requisite purchases, it is still obligated to pay Qwest the difference between the dollar amount of purchases it actually made and the minimum commitment amount in the purchase agreement. In Year 1 of the contract (ending on December 2001), the commitment was **[TRADE SECRET BEGINS] [TRADE SECRET ENDS]**. By the end of 2002, the cumulative commitment is **[TRADE SECRET BEGINS] [TRADE SECRET ENDS]** and, by the end of 2003, it is **[TRADE SECRET BEGINS] [TRADE SECRET ENDS]**. We believed we could exceed these commitments and shared that view with Qwest. Exhibit 1 is a true copy of the McLeodUSA Purchase Agreement, which was entered into by McLeodUSA and kept by it in the normal course of business.

18. The Qwest Purchase Agreement is also a "take or pay" agreement. In addition, Qwest orally agreed to increase its commitment to give McLeodUSA a volume purchase discount of up to 10%, to provide an incentive for additional purchases under the McLeodUSA Purchase Agreement. In order to obtain a higher percentage, McLeodUSA had to increase its purchases.

19. The percentage reduction depends on the volume of purchases by McLeodUSA from Qwest. The table below shows generally out how the volume pricing works:

October 2000 through December, 2001		2002		2003	
Aggregate Purchases	Percentage Reduction	Aggregate Purchases	Percentage Reduction	Aggregate Purchases	Percentage Reduction
[TRADE SECRET BEGINS] [TRADE SECRET ENDS] **[TRADE SECRET BEGINS] [TRADE SECRET ENDS]**	6.5% 8%	**[TRADE SECRET BEGINS] [TRADE SECRET ENDS]**	8%	**[TRADE SECRET BEGINS] [TRADE SECRET ENDS]**	8%
[TRADE SECRET BEGINS] [TRADE SECRET ENDS]	10%	**[TRADE SECRET BEGINS] [TRADE SECRET ENDS]**	10%	**[TRADE SECRET BEGINS] [TRADE SECRET ENDS]**	10%

20. The volume pricing is applied to every purchase made by McLeodUSA, not just the purchases above the minimum. So, for example, if McLeodUSA spends **[TRADE SECRET BEGINS] [TRADE SECRET ENDS]** with Qwest in 2002 it will be entitled to a **[TRADE SECRET BEGINS] [TRADE SECRET ENDS]** million

payment, calculated by multiplying 8% times every dollar spent. If McLeodUSA spends **[TRADE SECRET BEGINS] [TRADE SECRET ENDS]** with Qwest, then it will be entitled to receive **[TRADE SECRET BEGINS] [TRADE SECRET ENDS]** million, calculated by multiplying 10% times every dollar spent. If McLeodUSA purchases fall below certain levels, there is no guaranteed payment.

21. asked Qwest how I could be sure that it would live up to its agreement to provide the discount if McLeodUSA signed the Purchase Agreement. Qwest responded by suggesting a mechanism to guarantee that McLeodUSA would receive a payment of at least a portion of the agreed-to discount each year in return for its minimum purchase requirements, that increased over time.

22. That mechanism suggested by Qwest is the combination of the Qwest and McLeodUSA Purchase Agreements. The Qwest Purchase Agreement requires Qwest to purchase **[TRADE SECRET BEGINS] [TRADE SECRET ENDS]** million in products from McLeodUSA in 2001, **[TRADE SECRET BEGINS] [TRADE SECRET ENDS]** million in products in 2002, and **[TRADE SECRET BEGINS] [TRADE SECRET ENDS]** million in products in 2003.

23. The Qwest Purchase Agreement identifies products offered by McLeodUSA. We did not discuss any specific products that Qwest would purchase from McLeodUSA. Thus, McLeodUSA viewed the Qwest Purchase Agreement as a mechanism to insure that McLeodUSA would receive some, if not all, of the benefit it was entitled to under the oral volume pricing agreement. The commitment amounts in the Qwest Purchase Agreement were calculated by applying an 8% volume discount percentage

(from Qwest and McLeodUSA's oral agreement) to the maximum McLeodUSA projected expenditures for that percentage.

24. Another component to completing the transaction that gave McLeodUSA access to UNE-M and the purchase volume pricing was McLeodUSA's agreement to remain neutral regarding Qwest's Section 271 application. Qwest made it clear to me that for Qwest to enter into the UNE-M and volume pricing arrangements, McLeodUSA had to agree to remain neutral on Qwest's Section 271 applications. McLeodUSA agreed to remain neutral provided Qwest complied with all of our agreements and with all applicable statutes and regulations.

25. Exhibit 2 to this affidavit is a true copy of a document titled "Outline of Major Terms" and dated September 19, 2000. This document was created jointly by Qwest and McLeodUSA at the September 19, 2000 meeting. It is an accurate description of the terms that had been discussed between the parties as of that date, including the terms hammered out during an all-day negotiation session.

26. Exhibit 3 to this affidavit is a true copy of an e-mail I sent to Jim Balvanz, who forwarded it to Stacey Stewart on October 23, 2000. Attached to Mr. Balvanz's e-mail is an October 21, 2000 e-mail from Audrey McKenney to Mr. Balvanz, Randall Rings (McLeodUSA's General Counsel) and me. Ms. McKenney's e-mail included the attachment printed out on the second page of Exhibit 3. Exhibit 3 was received and kept by me in the ordinary course of business.

27. The second page of Exhibit 3 is an Excel spreadsheet prepared by Qwest showing Qwest's counterproposal to a volume pricing proposed by McLeodUSA during the

negotiations discussed above. In this spreadsheet, Qwest proposed a discount rate ranging from 6.5% to 10%.

Exhibit 4 to this affidavit is a true copy of an e-mail found by McLeodUSA in Mr. Balvanz's files in the course of responding to information requests from the Department of Commerce. Mr. Balvanz no longer works with McLeodUSA. I was copied on this e-mail.

Exhibit 4 contains five questions asked of Mr. Balvanz by Gary Dupler, then our Group Vice President of Network Development, and Mr. Balvanz's handwritten responses to those questions. The questions all relate to the discount agreement with Qwest. At the time, Mr. Dupler was responsible for network planning at McLeodUSA. I have read through each of the questions and responses on Exhibit 4. I am familiar with Mr. Balvanz's handwriting and recognize the handwriting on Exhibit 4 to be his. Based on my personal knowledge, Mr. Balvanz's handwritten responses to each question are accurate and correct.

I declare under penalty of perjury under the laws of the United States of America and the state of Minnesota that the foregoing is true and correct.

Further affiant sayeth not.

Signed this day of June, 2002

Blake O. Fisher

Signed before me this 18 day of June, 2002.

Notary Public

JOHN STUART MANOOKIN
Notary Public
State of Utah
My Commission Expires 06/26/2006
1400 Kearns Blvd., Park City, UT 84060

Docket No. P421/CI-01-1371

Exhibit #1

Trade Secret Information Redacted

Docket No. P421/CI-01-1371

Exhibit #2

Trade Secret Information Redacted

Docket No. P421/CI-01-1371

Exhibit #3

Trade Secret Information Redacted

Docket No. P421/CI-01-1371

Exhibit #4

Trade Secret Information Redacted